

## **A Study on The effect of Compensation Management on Employee Performance In Textile Industry**

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### **Abstract**

Compensation management is the act of distributing some type of monetary value to an employee for their work by means of the company's policy or procedure. This study investigates compensation management practices within the textile industry, an essential sector for global economies and employment. The research explores the multifaceted compensation strategies employed by textile companies, . Some different type of compensation include salary, overtime pay, commission, bonuses, and benefit packages that might include health and dental insurance, vacation time, and retirement savings including direct and indirect financial rewards, benefits, and non-monetary incentives. Through a comprehensive literature review and empirical data collection from leading textile firms, the study identifies prevailing trends, challenges, and best practices in compensation management. Key findings reveal a significant correlation between effective compensation practices and employee productivity, job satisfaction, and retention rates . To attain the objectives of a company HR plays a vital role and one of the most used tools by HR in order to ensure motivation for each and every employee is a satisfactory “compensation package”. Employees need to be compensated for their efforts based on volume of production.

Key words: Compensation of employees, employee satisfaction, Positive work culture

### **Introduction**

Compensation management is a critical aspect of human resource management that involves the development and implementation of strategies and policies aimed at compensating employees equitably and competitively. In the textile industry, which is characterized by its labor-intensive

nature and significant contribution to global employment and economic growth, effective compensation management plays a pivotal role in attracting, retaining, and motivating the workforce.

### **Importance of the Textile Industry**

The textile industry is one of the oldest and most globalized sectors, encompassing a wide range of activities from the production of raw materials to the manufacturing of finished products. It is a major source of employment, especially in developing countries, and significantly contributes to GDP and export earnings. The industry's labor-intensive nature makes compensation management a critical factor in maintaining operational efficiency and competitiveness.

### **Background of the study**

Compensation is the monetary benefit which is given to an employee or worker in return for their services to an organization. Compensation includes components like salary, wages, bonuses etc. Compensation management is the act of providing monetary value to an employee for the work they do by means of a company process or policy. Companies use compensation management in order to find, keep, and motivate employees to do quality work.

### **Statement of the problem**

Compensation is one of the important factor that affects the employee performance. A good compensation package is a good motivator. Hence the primary responsibility of HR manager is to ensure that the companies are well paid. Compensation is usually narrowed to cash and as a result, employers only have a tunneled vision when it comes to the issue of compensation for their employees. If compensation is poorly managed, most of the time performance of employees are affected adversely. Therefore the problem the researchers intend to investigate into, is to understand the effect of compensation system in an organization in employee performance.

### **Significance of the Study**

Understanding and improving compensation management in the textile industry is crucial for several reasons. It directly affects the well-being and motivation of the workforce, influences organizational performance, and contributes to the overall competitiveness of the industry. This paper will provide

valuable insights into the compensation management landscape within the textile industry, offering a foundation for future research and policy development. It aims to contribute to the broader discourse on human resource management, emphasizing the importance of effective compensation strategies in one of the most vital sectors of the global economy.

### **Objectives of the Study**

This study aims to explore the compensation management practices within the textile industry, focusing on both financial and non-financial rewards. The objectives include:

- 1.To determine the effect of compensation management on employee performance.
- 2.To provide an overview of the prevailing compensation strategies employed by textile companies.

### **Hypotheses of the study**

H1: There exists a significant relationship between age of the employees and satisfaction in their current compensation packages.

H2: There exists a significant relationship between gender of the employees and satisfaction in their current compensation packages.

### **Research Methodology**

The study is both descriptive and analytical. The descriptive data comprises of secondhand information and that is compiled through various journals, magazines and other forms of online and offline published resources. The analytical element is carried out by primary data and that is compiled through questionnaires from the employees in textile industries. Using a Judgmental sampling technique, 50 employees were selected for the study. Data was collected from the respondents using structured interview schedule. The following tools were used for data analysis.

1. Paired t test
2. Simple percentage

### **Limitations of the study**

- Challenges were faced in the retrieval of interview schedules, as the respondents were very busy in handling their customers.
- This factor limited the time to seek clarification regarding certain responses.

- Chance of respondent bias can happen.

### Data analysis and interpretation

#### Age of employees

The level of employee performance, satisfaction in compensation packages etc are influenced by the age group of employees. Hence classification of respondents based on age group is made in Table 1.

Table 1: Classification of respondents on the basis of age group

From Table 1 we can see out of 50 respondents, majority of the respondents (58%) are in the age group '18-25', followed by 20% respondents in the age group '26-35' years, 18% respondents in the age group '36-45' years and the least (4%) respondents in the age group '> 45'.

#### Gender of respondents

Gender of the employees influence their level of satisfaction, performance, response to different compensation practices etc. Hence classification of respondents based on their

Age group	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	29	58.0	58.0	58.0
26-35	10	20.0	20.0	78.0
36-45	9	18.0	18.0	96.0
Above 45	2	4.0	4.0	100.0
Total	50	100.0	100.0	

gender is made in Table 2.

Table 2: Classification of respondents on the basis of gender

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
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Male	23	46.0	46.0	46.0
Valid Female	27	54.0	54.0	100.0
Total	50	100.0	100.0	

From Table 2 it is clear that majority of the respondents (54%) are female and the rest of respondents are male (46%).

### Educational background of respondents

Educational background of respondents is a major factor which can determine their personality and attitude towards work. Hence classification of respondents based on their educational background is made in Table 3.

Table 3: Classification of respondents on the basis of educational background

Educational background	Frequency	Percent	Valid Percent	Cumulative Percent
High school	16	32.0	32.0	32.0
Intermediate	20	40.0	40.0	72.0
Valid Graduate	13	26.0	26.0	98.0
Post Graduate	1	2.0	2.0	100.0
Total	50	100.0	100.0	

From Table 3 it is clear majority of the respondents (40%) have their educational qualification 'intermediate', followed by 'high school' (32%), 'graduate' (26%) and least (2%) are 'post graduates'.

### Level of employment of respondents

Nature of job of respondents is a major factor which can determine the effectiveness of retention strategies and the level of satisfaction of employees. Hence classification of respondents based on their level of employment is made in Table 4.

Table 4: Classification of respondents based on level of employment

Level of employment	Frequency	Percent	Valid Percent	Cumulative Percent
Top management	1	2.0	2.0	2.0
Middle level management	5	10.0	10.0	12.0
Valid Executive	11	22.0	22.0	34.0
Associate	21	42.0	42.0	76.0
Trainee	12	24.0	24.0	100.0
Total	50	100.0	100.0	

From Table 4 it is clear that 42% respondents are 'associate' level employees, 24% respondents are 'trainees', 22% respondents are from 'executive' level, 10% respondents are 'middle level' employees and the least (2%) belong to 'top level management'.

#### Length of Service of Respondents

The length of service is an important factor that helps to understand more about compensation management practices in the organization. Hence classification of respondents based on their length of service in the organization made in Table 5.

Table 5: Classification of respondents on the basis of length of service

Length of service	Frequency	Percent	Valid Percent	Cumulative Percent
0-1 year	21	42.0	42.0	42.0
2-3 years	13	26.0	26.0	68.0
Valid 3-4 years	10	20.0	20.0	88.0
above 5 years	6	12.0	12.0	100.0
Total	50	100.0	100.0	

Table 5 shows that the 42% respondents have a work experience of '0-1 year', 26% respondents have experience of '2-3 years', 20% respondents have experience of '3-4 years', and 12% respondents have experience of '> 5 years'.

#### Income Level of Respondents

Amount of salary provided to employees influence heavily on job satisfaction and employee retention in an organization. Hence classification of respondents based on their level of income is made in Table 6.

Table 6: Classification of respondents on the basis of monthly income

Monthly income (Rs.)	Frequency	Percent	Valid Percent	Cumulative Percent
Below 10000	12	24.0	24.0	24.0
Valid 10,000-15,000	31	62.0	62.0	86.0
15,000-25,000	7	14.0	14.0	100.0
Total	50	100.0	100.0	

As evident from the Table 6, bulk of respondents (62%) have their monthly income Rs. '10,000-15,000', followed by 24% respondents in Rs. '< 10,000' category and 14% respondents in Rs. '15,000-25,000' categories.

#### Role of compensation management in an organization

Compensation plays a very important role in attracting the best talent in the organization, as well as, retaining them for a long time. It helps in creating a solid human resource base in the organization which enhances the productivity, efficiency and overall quality in the organization. Hence classification of respondents based on their opinion about role of compensation management in an organization is made in Table 7.

Table 7: Role of compensation management in an organization

Role of compensation management	Frequency	Percent	Valid Percent	Cumulative Percent
Employer's legal obligation	5	10.0	10.0	10.0
Motivates employees to work hard	11	22.0	22.0	32.0
Employees basic needs	31	62.0	62.0	94.0
Organization image	3	6.0	6.0	100.0
Total	50	100.0	100.0	

Table 7 indicates that 62% respondents consider the role of compensation in an organization as to ‘meet basic needs of employees’, 22% respondents consider it as a ‘motivation for hard work’, 10% consider it as ‘employer’s legal obligation’ and 6% consider it as an ‘organisational image’.

Testing of hypotheses

**H1:** There is a significant relationship between age of the employees and their level of satisfaction about their current compensation packages.

**H2:** There is a significant relationship between gender of the employees and their level of satisfaction about their current compensation packages.

Table 8: Relation between age & employee satisfaction, gender & employee satisfaction

Paired Samples Test

	Paired Differences				T	df	Sig. (2-tailed)	
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower				Upper

Pair 1	Age - Satisfaction in current compensation packages	.00000	1.22890	.17379	-.34925	.34925	.000	49	1.000
Pair 2	Gender - Satisfaction in current compensation packages	.14000	.98995	.14000	-.42134	.14134	1.000	49	.322

In case of pair 1 value of 't' is .000 and p value (paired value) is 1.000. It indicates that the value of t is less than the value of p therefore accept null hypothesis (H0) and reject alternative hypothesis (H1). That means there is no significant relationship between age and employee satisfaction in current compensation packages.

In case of pair 2 value of 't' is -1.000 and p value (paired value) is .322. It indicates that the value of t is less than value of p therefore accept null hypothesis (H0) and reject alternative hypothesis (H2). That means there is no significant relationship between gender and employee satisfaction in current compensation packages.

## Findings

- Out of 50 respondents, majority of the respondents (58%) are in the age group '18- 25', followed by 20% respondents in the age group '26-35' years, 18% respondents in the age group '36-45' years and the least (4%) respondents in the age group '> 45'. It indicates that the firm is providing employment mainly for youth.
- Majority of the respondents (54%) are female and the rest of respondents are male (46%).
- Majority of the respondents (40%) have their educational qualification 'intermediate', followed by 'high school' (32%), 'graduate' (26%) and least (2%) are 'post graduates'. This shows that level of education is not a criteria to get a job in this firm.

- 42% respondents are 'associate' level employees, 24% respondents are 'trainees', 22% respondents are from 'executive' level, 10% respondents are 'middle level' employees and the least (2%) belong to 'top level management'.
- Out of 50 respondents 42% respondents have a work experience of '0-1 year', 26% respondents have experience of '2-3 years', 20% respondents have experience of '3-4 years', and 12% respondents have experience of '> 5 years'. It can be inferred that many of the employees are comparatively freshers.
- Bulk of respondents (62%) have their monthly income Rs. '10,000-15,000', followed by 24% respondents in Rs. '< 10,000' category and 14% respondents in Rs. '15,000-25,000' categories. None of them gets monthly income above 25 thousand.
- The result of paired sample t test shows that there is no significant relationship between age of respondents and their job satisfaction.
- It was also observed that there was no significant relation between gender of respondents and their job satisfaction in their current compensation packages.

### **Suggestions**

- Management can try to improve the management of compensation in their organization than current level. It may help to improve employee performance.
- Management can try to implement more compensation packages among all level of employees.
- Management may implement free medical service and free medical insurance for employee's welfare.
- Management can consider of maintaining better relation with the employees.

### **CONCLUSION**

The result of this study points out that the compensation management had an effect on employee performance. This is based on the employee's opinion about influence of well-defined compensation management on employee performance. Majority of the employees working in Textile industries, were satisfied with their current compensation packages provided by the organization. The management team of Textile industries is highly organized and efficiently communicates to the employees all information related to the compensation packages of the employees, so that they will hardly face any challenges in the case of compensation policy of the management.

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